

The opinion in support of the decision being entered today
is *not* binding precedent of the Board.

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte DAVID LOCKWOOD

Appeal 2007-2063
Application 09/890,815
Technology Center 3600

Decided: September 20, 2007

Before LINDA E. HORNER, ANTON W. FETTING, and DAVID B. WALKER,
Administrative Patent Judges.

HORNER, *Administrative Patent Judge.*

DECISION ON APPEAL

STATEMENT OF THE CASE

Appellant seeks our review under 35 U.S.C. § 134 of the Examiner's final rejection of claims 1-7, all the claims currently pending in the application. We have jurisdiction under 35 U.S.C. § 6(b) (2002).

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SUMMARY OF DECISION

We REVERSE and REMAND.

THE INVENTION

Appellant's claimed invention is directed to the exchange of securities and cash among borrowers and lenders using an electronic auction over a computer network (Specification 1). Claim 1, reproduced below, is representative of the subject matter on appeal.

1. A method for facilitating the mutual exchange of securities and cash, comprising:

receiving a plurality of first indications of offers to lend a security from respective lenders, each of the offers to lend a security indicating a corresponding quantity of the security and a corresponding fee;

receiving a plurality of second indications of offers to borrow the security from respective borrowers, each of the offers to borrow the security indicating a corresponding quantity of the security and a corresponding fee;

matching one of the offers from one of the lenders with one of the offers from one of the borrowers based on the corresponding quantity and the fee; and

sending a notification of a transaction between the one lenders and the one borrower based on the matched offer.

THE REJECTION

The Examiner relies upon the following as evidence of unpatentability:

Zandi	US 5,966,699	Oct. 12, 1999
Huberman	US 6,078,906	Jun. 20, 2000
Eng	US 6,188,993 B1	Feb. 13, 2001

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The following rejections are before us for review:

1. Claims 1-7 stand rejected under 35 U.S.C. § 103(a) as unpatentable over Eng and Zandi.¹
2. Claim 6 further stands rejected under 35 U.S.C. § 103(a) as unpatentable over Eng, Zandi, and Huberman.

ISSUE

Appellant contends that the Examiner has (1) “not properly construed a meaning for the term ‘security’ consistent with that term’s ordinary and customary meaning;” (2) “not established that the applied prior art teaches or suggests that each of the offers to lend a security indicates a corresponding fee;” (3) “not established that the applied prior art teaches or suggests that a fee is associated with offers to borrow a security;” and (4) “has improperly asserted a motivation to combine the applied prior art that does not originate from the applied prior art” (Appeal Br. 14). The Examiner found that Eng discloses separate fees associated with the lending and borrowing functions in as much as Eng discloses that “[t]he LA 12 is responsible for the collection of all debts and fees associated with the system’s lending and borrowing function” (Answer 10).

The issues before us are:

1. Whether Appellant has established that the Examiner erred in holding that claims 1-7 are unpatentable over Eng and Zandi.

¹ Following a remand by the Board on January 12, 2006, the Examiner withdrew the rejection of claims 1 and 7 under 35 U.S.C. § 101 (Answer 8).

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2. Whether Appellant has established that the Examiner erred in holding that claim 6 is unpatentable over Eng, Zandi, and Huberman.

FINDINGS OF FACT

The relevant facts include:

1. Appellant's Specification states that "securities may be equities, bonds, currencies, derivatives, and other financial instruments" (Specification 8).

2. The ordinary definition of a currency is something that is in circulation as a medium of exchange. *Merriam-Webster's Collegiate Dictionary* 306 (11th ed. 2005).

3. Eng discloses a synthetic currency transaction network, referred to as Inside Money (IM), that includes multiple mutual funds, means for connecting potential borrowers to potential lenders of IM shares, and methods and techniques for conducting private IM share transactions in either an on-line or off-line environment or a hybrid thereof (Eng, col. 2, ll. 25-30).

4. The system provides a pooled matching service between IM lenders and qualified IM borrowers (Eng, col. 3, ll. 7-8).

5. The pooling matching service may disclose the rating of a potential lender and a potential borrower. This rating may be disclosed to a potential IM lender and the IM lender can then approve or disprove a loan to the borrower based on the rating service and other factors (Eng, col. 3, ll. 9-14).

6. The IM network provides an electronic bulletin board system (e.g., via intra or internet access) wherein those participants who wish to loan IM shares may

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note their availability and those participants that wish to borrow IM shares may note the desire to buy IM shares creating a market or exchange (Eng, col. 7, ll. 6-11).

7. When a loan is made, an IM lender can choose to retain the interest bearing features of IM and negotiate an interest payment from the borrower (Eng, col. 3, ll. 14-17).

8. Eng does not specifically disclose that the offers to lend IM include a corresponding quantity of IM and a corresponding fee or that the offers to borrow IM include a corresponding quantity of IM and a corresponding fee.

9. Zandi discloses a system and method for conducting an electronic loan auction (Zandi, col. 2, ll. 12-14).

10. The AuctionWare of Zandi is a client/server database application which is used to manage the electronic loan auction. It makes available to lenders a list of available loans and it makes available to a prospective borrower a list of loan bids submitted for the borrower's loan by lenders (Zandi, col. 7, ll. 9-14).

11. Zandi does not disclose that the available loans include a corresponding fee.

12. Huberman discloses a brokered auction for document services (Huberman, col. 3, ll. 54-60).

13. The brokered auction affords the customer one or more fail-safe mechanisms in order to avoid entering into an unfavorable transaction if the auction results prove unsatisfactory (Huberman, col. 3, ll. 63-66).

14. One of these fail-safe mechanisms allows the customer to specify a

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reservation or maximum price to the broker in advance, and the broker will screen out bids above this price. In other words, the broker will not propose to the customer a transaction in which the job is to be performed for a price above the reservation price (Huberman, col. 4, ll. 14-20).

PRINCIPLES OF LAW

“Section 103 forbids issuance of a patent when ‘the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.’” *KSR Int'l Co. v. Teleflex Inc.*, 127 S.Ct. 1727, 1734, 82 USPQ2d 1385, 1391 (2007). The question of obviousness is resolved on the basis of underlying factual determinations including (1) the scope and content of the prior art, (2) any differences between the claimed subject matter and the prior art, (3) the level of skill in the art, and (4) secondary considerations, where in evidence. *Graham v. John Deere Co.*, 383 U.S. 1, 17-18, 148 USPQ 459, 467 (1966). See also *KSR*, 127 S.Ct. at 1734, 82 USPQ2d at 1391 (“While the sequence of these questions might be reordered in any particular case, the [*Graham*] factors continue to define the inquiry that controls.”)

In *KSR*, the Supreme Court emphasized “the need for caution in granting a patent based on the combination of elements found in the prior art,” *id.* at 1739, 82 USPQ2d at 1395, and discussed circumstances in which a patent might be determined to be obvious. In particular, the Supreme Court emphasized that “the

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principles laid down in *Graham* reaffirmed the ‘functional approach’ of *Hotchkiss*, 11 How. 248.” *KSR*, 127 S.Ct. at 1739, 82 USPQ2d at 1395 (citing *Graham*, 383 U.S. at 12, 148 USPQ at 464 (emphasis added)), and reaffirmed principles based on its precedent that “[t]he combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results.” *Id.* The Court explained:

When a work is available in one field of endeavor, design incentives and other market forces can prompt variations of it, either in the same field or a different one. If a person of ordinary skill can implement a predictable variation, §103 likely bars its patentability. For the same reason, if a technique has been used to improve one device, and a person of ordinary skill in the art would recognize that it would improve similar devices in the same way, using the technique is obvious unless its actual application is beyond his or her skill.

Id. at 1740, 82 USPQ2d at 1396. The operative question in this “functional approach” is thus “whether the improvement is more than the predictable use of prior art elements according to their established functions.” *Id.*

The Supreme Court stated that “[f]ollowing these principles may be more difficult in other cases than it is here because the claimed subject matter may involve more than the simple substitution of one known element for another or the mere application of a known technique to a piece of prior art ready for the improvement.” *Id.* The Court explained,

Often, it will be necessary for a court to look to interrelated teachings of multiple patents; the effects of demands known to the design community or present in

the marketplace; and the background knowledge possessed by a person having ordinary skill in the art, all in order to determine whether there was an apparent reason to combine the known elements in the fashion claimed by the patent at issue.

Id. at 1740-41, 82 USPQ2d at 1396. The Court noted that “[t]o facilitate review, this analysis should be made explicit.” *Id.*, citing *In re Kahn*, 441 F.3d 977, 988, 78 USPQ2d 1329, 1336 (Fed. Cir. 2006) (“[R]ejections on obviousness grounds cannot be sustained by mere conclusory statements; instead, there must be some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness”). However, “the analysis need not seek out precise teachings directed to the specific subject matter of the challenged claim, for a court can take account of the inferences and creative steps that a person of ordinary skill in the art would employ.” *Id.*

ANALYSIS

Rejection of claims 1-7 as unpatentable over Eng and Zandi

Appellant argues claims 1-7 as a group (Appeal Br. 4). We select claim 1 as a representative claim and the remaining claims 2-7 stand or fall together with claim 1.

Appellant contends that the Examiner has “not properly construed a meaning for the term ‘security’ consistent with that term’s ordinary and customary meaning” (Appeal Br. 14). More specifically, Appellant contends that “although Eng teaches the lending and borrowing of IM or synthetic currency, this lending

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and borrowing of IM or synthetic current [sic] is not equivalent to the lending and borrowing of securities" (Appeal Br. 15). We disagree.

Appellant's Specification describes a security as including "equities, bonds, currencies, derivatives, and other financial instruments" (Finding of Fact 1). The customary meaning of a currency is something in circulation as a medium of exchange (Finding of Fact 2). Therefore, the IM or synthetic currency of Eng is equivalent to a security as defined by Appellant's Specification.

Appellant further contends that the prior art fails to teach or suggest that "each of the offers to lend a security indicates a corresponding fee" and that "a fee is associated with offers to borrow a security" (Appeal Br. 14). More specifically, Appellant contends "Eng does not teach two fees, one of which is associated with the offer to lend a security and another of the fees associated with the offer to borrow the security", but rather merely states "that fees are associated with Eng's system of lending and borrowing" (Appeal Br. 16).

The Examiner found that Eng's disclosure that "[t]he LA 12 is responsible for the collection of all debts and fees associated with the system's lending and borrowing function" requires/means that "there are two functions (lending and borrowing) and two transaction fees not a single fee" (Answer 10). We disagree with the Examiner.

Nowhere in Eng is there any disclosure that each offer to lend includes an associated fee and each offer to borrow includes an associated fee (Finding of Fact 8). The mere fact that Eng discloses that there are fees associated with the lending and borrowing functions does not in and of itself establish that the offers to

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lend and borrow each include an associated fee as claimed. As such, we can not sustain the Examiner's rejection of claims 1-7 as unpatentable over Eng and Zandi.

Rejection of claim 6 as unpatentable over Eng, Zandi, and Huberman

We find that (1) Eng fails to specifically disclose that the offers to lend IM include a corresponding quantity of IM and a corresponding fee or that the offers to borrow IM include a corresponding quantity of IM and a corresponding fee (Finding of Fact 8), and (2) that Zandi fails to disclose that the available loans include a corresponding fee (Finding of Fact 11). Furthermore, the Examiner has not provided any reasoning to support a legal conclusion that the deficiencies of Eng and Zandi require only obvious modifications in view of Huberman. Therefore, the Examiner has failed to set forth a *prima facie* case of obviousness, and we cannot sustain the Examiner's rejection of claim 6 as unpatentable over Eng, Zandi, and Huberman.

REMAND

We remand this application to the Examiner for consideration of whether the combination of Eng and Huberman renders obvious the subject matter of claims 1-7.

Eng discloses a synthetic currency transaction network, referred to as Inside Money (IM), which includes multiple mutual funds, means for connecting potential borrowers to potential lenders of IM shares, and methods and techniques for conducting private IM share transactions in either an on-line or off-line

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environment or a hybrid thereof (Finding of Fact 3). The system provides a pooled matching service between IM lenders and qualified IM borrowers (Finding of Fact 4). The pooling matching service may disclose the rating of a potential lender and a potential borrower. This rating may be disclosed to a potential IM lender and the IM lender can then approve or disprove a loan to the borrower based on the rating service and other factors (Finding of Fact 5). The IM network provides an electronic bulletin board system (e.g., via intra or internet access) wherein those participants who wish to loan IM shares may note their availability and those participants that wish to borrow IM shares may note the desire to buy IM shares creating a market or exchange (Finding of Fact 6). Eng does not specifically disclose that the offers to lend IM include a corresponding quantity of IM and a corresponding fee and the offers to borrow IM include a corresponding quantity of IM and a corresponding fee (Finding of Fact 8).

Huberman discloses a brokered auction for document services (Finding of Fact 12). The brokered auction affords the customer one or more fail-safe mechanisms in order to avoid entering into an unfavorable transaction if the auction results prove unsatisfactory (Finding of Fact 13). One of these fail-safe mechanisms allows the customer to specify a reservation or maximum price to the broker in advance, and the broker will screen out bids above this price. In other words, the broker will not propose to the customer a transaction in which the job is to be performed for a price above the reservation price (Finding of Fact 14).

As such, we remand this application to the Examiner to consider whether it would have been obvious to one having ordinary skill in the art at the time of the

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invention to modify the electronic bulletin board/pooled matching service of Eng to allow lenders and borrows to specify in their offers a reservation price as taught by Huberman.

CONCLUSIONS OF LAW

We conclude that Appellant has shown that the Examiner erred in rejecting claims 1-7 as unpatentable over Eng and Zandi, and claim 6 as unpatentable over Eng, Zandi, and Huberman.

DECISION

The Examiner's decision under 35 U.S.C. § 103(a) to reject claims 1-7 as unpatentable over Eng and Zandi and claim 6 as unpatentable over Eng, Zandi and Huberman is reversed. The application is remanded to the Examiner pursuant to 37 C.F.R. § 41.50(a)(1) (2006) for further consideration of the prior art.

REVERSED AND REMANDED

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